

# SELP Longitudinal Survey of Microentrepreneurs

Major Findings  
Change Over Time

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Self-Employment Learning Project  
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The Aspen | Institute

# Programs in Study

- |  |                 |
|--|-----------------|
| ◆ Good Faith Fund (GFF)                              | Pine Bluff, AR  |
| ◆ Institute for Social & Economic Development (ISED) | Iowa City, IA   |
| ◆ PPEP/MICRO   | Tucson, AZ      |
| ◆ Rural Economic Development Center (REDC)           | Raleigh, NC     |
| ◆ Women's Self-Employment Project (WSEP)             | Chicago, IL     |
| ◆ Women Venture (WV)                                 | St. Paul, MN    |
| ◆ Coalition for Women's Economic Development (CWED)  | Los Angeles, CA |

## Self-Employment Learning Project (SELP) Study Components

- ◆ **In-Depth Client and Business Characteristics**
  - ⇒ Interview-based sample of 405 entrepreneurs tracked over 5 years
- ◆ **Agency Case Studies**
  - ⇒ On-site documentation of program
  - ⇒ Completed in 1992 & 1994
- ◆ **Program Profile**
  - ⇒ Internal monitoring system
  - ⇒ Data collected every 6 months on all current, active clients
  - ⇒ Agencies complete forms based on client intake forms

# SELP Key Questions

1. Who are the programs assisting?
2. What are the programs' designs, components, characteristics?  
How do they change over time?
3. What are the range of contexts in which programs operate?  
How does this affect programs?
4. What can we learn about program scale (number of clients) in the U.S.?
5. What are the outcomes & dynamics of assistance over time to businesses & clients?
  - ⇒ a. What happens to individuals' income over time?
  - ⇒ b. What happens to businesses over time?
6. What can we learn about qualitative changes over time in clients, their families & communities?
7. What are the obstacles that prevent growth for clients & businesses?

## Policy Questions

*Is microenterprise an effective poverty alleviation strategy?*

- ⇒ Do incomes rise over time?
- ⇒ Do people move out of poverty?

*Do microbusinesses survive?*

- ⇒ Do they grow?
- ⇒ Are they profitable?
- ⇒ Do they create jobs?
- ⇒ What contributions do they make to local economies?

*Does microenterprise produce "empowerment" results?*

- ⇒ What is the value of these results?

*What is the microenterprise methodology?*

- ⇒ Is it cost effective?
- ⇒ What are the delinquency & default rates?

# SELP Survey Key Questions

- ◆ What are the outcomes and dynamics of assistance over time to businesses and individual clients? In particular:
  - a) what happens to individuals' income & economic status over time?
  - b) what happens to businesses in terms of sales, profitability & other business measures over time?
- ◆ What can we learn about qualitative changes & improvements in people's lives over time in terms of:
  - a) individual clients?
  - b) clients' families?
  - c) clients' communities?

**The SELP Entrepreneur Survey**

Program	Number of Respondents in Wave 1 (% of Respondents)	Number of Respondents in Wave 3 (% of Respondents)	Number of Respondents in Wave 5 (% of Respondents)
Rural Economic Development Center (REDC)	83 (20%)	65 (22%)	60 (22%)
Good Faith Fund (GFF)	39 (10%)	29 (10%)	27 (10%)
Institute for Social and Economic Development (ISED)	54 (13%)	42 (14%)	35 (13%)
Women Venture (WV)	54 (13%)	44 (15%)	40 (15%)
Women's Self-Employment Project (WSEP)	86 (21%)	66 (22%)	68 (25%)
Coalition for Women's Economic Development (CWED)	38 (9%)	27 (9%)	16 (6%)
PPEP/MICRO	51 (13%)	28 (9%)	23 (9%)
Total Number of Respondents	405 (100%)	301 (100%)	269 (100%)
RESPONSE RATE	100%	74%	67%

# Comparability Between Wave 1 & Wave 5

- ◆ Important to ensure that longitudinal analysis is representative of the SELP sample
- ◆ Tests of significance show that overall the sample from Wave 1 and Wave 5 are comparable across almost all characteristics measured

## Exceptions:

Program Membership	Race/Ethnicity
Language	Education Level

## Other Characteristics Tested:

Marital Status	Business Location	Age
Household Income	Personal Assets	Gender
Personal Earnings	Business Earnings	

Microenterprise programs effectively reach large numbers of minority and female clients

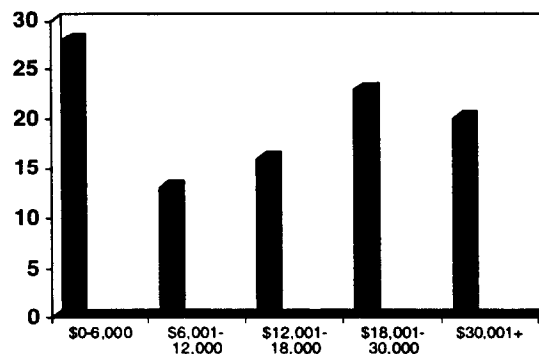
- ◆ **62% are from a minority ethnic or racial group:**
  - 42% African-American
  - 18% Hispanic
  - 2% Asian
- ◆ **78% are women**
- ◆ **Microentrepreneurs are relatively well-educated**
  - 83% are high school graduates
  - 58% have some education past high-school
  - 19% have 4-year college degrees
  - 8% have graduate degrees
- ◆ **56% rely on the microbusiness as their primary source of earnings**

Large numbers of microentrepreneurs are “patchers”--patching together more than one earnings source to make ends meet

- ◆ Half of the surveyed entrepreneurs have 2 or more sources of individual earnings
- ◆ 37% work at a part-time job as well as running a microbusiness
- ◆ 16% receive public assistance as their primary or secondary source of income

## Wave 1- Baseline (1995 dollars)

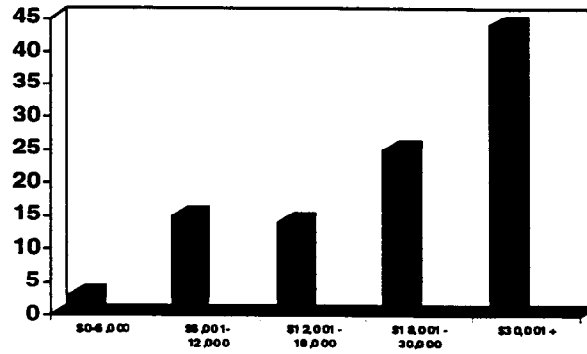
Respondents' Annual Earnings from Jobs and Businesses



*Respondents represent a wide range of earnings levels*

# Wave 1- Baseline

## (Respondents Household Income in 1995 dollars)



Also, Respondents represent a wide range of household income levels

- ◆ Mean Household Income was \$33,864
- ◆ Median Household Income was \$26,227

### Separating Out the Poverty Subset

#### Baseline Information on Survey Participants: Household Income in 1995 Dollars

Household Income of Respondents in Wave 1			
Wave 1	Poor Respondents	Non-Poor Respondents	All Respondents <sup>1</sup>
Average Household Income	\$13,643	\$44,937	\$33,864
Median Household Income	\$12,246	\$37,906	\$26,227

*Because of the income diversity in the sample, we separated out those households who were poor in the first year of the survey (below 150% of Census Bureau's Poverty Thresholds).*

<sup>1</sup>

The total number of respondents who reported their household incomes in wave 1 was 390. Among these entrepreneurs, 138 were low-income and 252 had incomes above 150% of the poverty line.

Education Level			
Wave 1	Poor Respondents	Non-Poor Respondents	All Respondents
Less than High-School	26%	12%	17%
High-School Diploma	30%	22%	25%
Some College, Technical Degree, or Bachelor's Degree	37%	56%	49%
Post Graduate	7%	10%	9%

Race/Ethnicity			
Wave 1	Poor Respondents	Non-Poor Respondents	All Respondents
White	41%	36%	38%
Hispanic	25%	15%	18%
African-American	32%	48%	42%
Asian/Pacific Islander	1%	0%	1%
Native American	0%	1%<	1%<
Other/Multiracial	1%	1%	1%

**Longitudinal Survey of Microentrepreneurs**  
(Direction of Change Over Time of Various Economic Indicators)

Economic Indicator	Low-Income Microentrepreneurs	Non-Poor Microentrepreneurs	All Microentrepreneurs
All Respondents			
Household Income	↑	↓	↓
Personal Earnings	↑	↓	↓
Household Assets	↑	↑	↑
Household Net Worth	↑	↓	↓
Business Assets	↑	↑	↑
Business Net Worth	↑	↑	↑



## Major Findings (1)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Household Income

- ◆ Over time, microentrepreneurs experienced a decrease in household income in real terms, however, there were significant differences in the experiences of poor and non-poor respondents. The poor respondents experienced strong gains in household income, and non-poor respondents experienced a decline in household income.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. HH Income Over 5 Years	\$10,507	(\$6,106)	(\$1,443)
% of Entrepreneurs Whose HH Income Increased	78%	48%	56%
% of Entrepreneurs Out of Poverty By Wave 3	25%	-	-
% of Entrepreneurs Out of Poverty By Wave 5	55%	-	-

## Major Findings (1)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Personal Earnings

- ◆ Over time, microentrepreneurs experienced a decrease in personal earnings in real terms, however, again there were significant differences in the experiences of poor and non-poor respondents. Personal earnings of poor respondents increased, while personal earnings of non-poor respondents decreased over the survey period.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. Personal Earnings Over 5 Years	\$5,604	(\$7,015)	(\$3,473)
% Respondents Whose Personal Earnings Increased	69%	40%	48%
Change in Avg. Business Earnings Over 5 Years	\$1,007	(\$9,334)	(\$6,431)
% Respondents Whose Business Earnings Increased	34%	22%	25%
Change in Avg. Job Earnings Over 5 Years	\$4,597	\$2,319	\$2,958
% Respondents Whose Job Earnings Increased	47%	41%	43%

## Major Findings (1)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Reliance on Public Assistance

- ◆ Reliance on public assistance declined both in dollar terms and in terms of the percentage of respondents receiving public assistance of some form. The percentage of respondents receiving means-tested benefits dropped from 24% to 17% over the five-year period, while the level of means-tested benefits received dropped from \$1,460 to \$939, on average

## Major Findings (2)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Household Assets

- ◆ Over time, microentrepreneurs demonstrated an increase in household assets. On average, household assets grew by \$9,298 over the survey period. Poor respondents experienced the strongest growth, with average growth in assets of \$23,519 (compared to \$4,681 for non-poor respondents). The primary source of the growth in assets was the increase in the value of housing assets.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. HH Assets Over 5 Years	\$23,519	\$4,681	\$9,298
% of Respondents Whose HH Assets Increased	64%	57%	59%

## Major Findings (2)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Household Net Worth

- ◆ Over time, microentrepreneurs experienced a decrease in personal or household net worth in real terms, however, there were significant differences in the experiences of poor and non-poor respondents. The poor respondents experienced strong gains in household net worth of \$8,854, and non-poor respondents experienced a decline in their net worth of \$7,164.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. HH Net Worth Over 5 Years	\$8,854	(\$7,164)	(\$3,547)
% of Respondents Whose HH Net Worth Increased	48%	55%	53%

## Major Findings (3)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Business Assets

- ◆ Microentrepreneurs demonstrated an increase in business assets over the survey period. On average, business assets grew by \$14,193. Poor respondents experienced the strongest growth, with average growth in business assets of \$18,706 (compared to \$13,120 for non-poor respondents).

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. Business Assets Over 5 Years	\$18,706	\$13,120	\$14,193
% Whose Business Assets Increased	54%	64%	62%

## Major Findings (3)

### (Economic Experiences of Microentrepreneurs Over Time)

#### Business Net Worth

- ◆ Over time, microentrepreneurs experienced an increase in business net worth in real terms of \$14,908. The poor respondents increased their business net worth by \$8,282 and non-poor respondents increased their business net worth by \$16,392.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. Business Net Worth Over 5 Years	\$8,282	\$16,392	\$14,908
% Whose Business Net Worth Increased	60%	67%	66%

#### Summary of Findings from the SELP Longitudinal Survey of Microentrepreneurs (Direction of Change Over Time of Various Economic Indicators)

Economic Indicator	Low-Income Microentrepreneurs	Non-Poor Microentrepreneurs	All Microentrepreneurs
Respondents Whose Businesses Were Still Operating by Wave 5			
Household Income	↑	↓	↓
Personal Earnings	↑	↓	↓
Household Assets	↑	↑	↑
Household Net Worth	↑	↑	↑
Business Assets	↑	↑	↑
Business Net Worth	↑	↑	↑

## Major Findings (1)

### (Economic Experiences of Microentrepreneurs Whose Businesses Were Still Operating by Wave 5)

#### Household Income

- ◆ Over time, microentrepreneurs experienced a decrease in household income in real terms, however, there were significant differences in the experiences of poor and non-poor respondents. The poor respondents experienced strong gains in household income, and non-poor respondents experienced a decline in household income.

	Poor	Non-Poor	All
	<u>Respondents</u>	<u>Respondents</u>	<u>Respondents</u>
Change in Avg. HH Income Over 5 Years	\$10,494	(\$6,470)	(\$2,229)
% of Entrepreneurs Whose HH Income Increased	84%	48%	57%

- ◆ A major contributor to the increase in household incomes of the poor microentrepreneurs was their business earnings. Increase in earnings from the microbusiness constituted 60% of the increase in personal earnings and 31% of the increase in household incomes of these entrepreneurs.

## Major Findings (1)

### (Economic Experiences of Microentrepreneurs Whose Businesses Were Still Operating by Wave 5)

#### Personal Earnings

- ◆ Over time, microentrepreneurs experienced a decrease in personal earnings in real terms, however, again there were significant differences in the experiences of poor and non-poor respondents. Personal earnings of poor respondents increased, while personal earnings of non-poor respondents decreased over the survey period. The main source of increase in the personal earnings of the poor respondents was the increase in earnings from the microbusiness.

	Poor	Non-Poor	All
	<u>Respondents</u>	<u>Respondents</u>	<u>Respondents</u>
Change in Avg. Personal Earnings Over 5 Years	\$5,529	(\$6,975)	(\$3,849)
% Respondents Whose Personal Earnings Increased	75%	40%	48%
Change in Avg. Business Earnings Over 5 Years	\$3,303	(\$7,209)	(\$4,581)
% Respondents Whose Business Earnings Increased	59%	31%	38%
Change in Avg. Job Earnings Over 5 Years	\$2,226	\$234	\$732
% Respondents Whose Job Earnings Increased	31%	27%	28%

## Major Findings (2)

### (Economic Experiences of Microentrepreneurs Whose Businesses Were Still Operating by Wave 5)

#### Household Assets

- ◆ Over time, microentrepreneurs demonstrated an increase in household assets. Low-income respondents experienced especially strong growth in assets.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. HH Assets Over 5 Years	\$27,787	\$14,556	\$17,457
% of Respondents Whose HH Assets Increased	68%	57%	60%

#### Household Net Worth

- ◆ Over time, microentrepreneurs experienced an increase in personal or household net worth in real terms. The poor respondents, however, experienced stronger gains in household net worth compared to non-poor respondents.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. HH Net Worth Over 5 Years	\$4,698	\$2,944	\$3,292
% of Respondents Whose HH Net Worth Increased	43%	55%	53%

## Major Findings (3)

### (Economic Experiences of Microentrepreneurs Whose Businesses Were Still Operating by Wave 5)

#### Business Assets

- ◆ Microentrepreneurs demonstrated an increase in business assets over the survey period. On average, business assets grew by \$16,427. Poor respondents experienced the stronger growth in business assets compared to non-poor respondents.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. Business Assets Over 5 Years	\$19,656	\$15,601	\$16,427
% Whose Business Assets Increased	57%	69%	66%

#### Business Net Worth

- ◆ Over time, microentrepreneurs experienced an increase in business net worth in real terms of \$17,344. The poor respondents increased their business net worth by \$8,808 and non-poor respondents increased their business net worth by \$19,336.

	Poor Respondents	Non-Poor Respondents	All Respondents
Change in Avg. Business Net Worth Over 5 Years	\$8,808	\$19,336	\$17,344
% Whose Business Net Worth Increased	57%	67%	65%

# Wave 1 (Baseline)

## Business Characteristics

***A typical microenterprise is a sole proprietorship that has been in operation for two or more years, with sales of less than \$12,000 per year***

- ◆ 90% are sole proprietorships
- ◆ 69% employ the owner-operator alone
- ◆ 31% employ additional employees
- ◆ 64% of microbusinesses are home-based

### Age of Business

22% < 1 year old  
17% 1-2 years old  
18% 2-4 years old  
27% 4 years old or more

### Gross Sales

47% < \$1,000/ month  
21% \$1,000-2,499/ month  
25% \$2,500 or more/ month

# Wave 1 (Baseline)

## Business Characteristics

***Most Microbusinesses are in retail trade or services, with some manufacturing firms***

Of the 386 firms in the survey:

- ◆ 43% are in retail trade
- ◆ 31% are in personal & business services
- ◆ 13% are in manufacturing
- ◆ 4% are in wholesale trade
- ◆ 3% are in construction
- ◆ 2% are in agriculture, forestry & fishing
- ◆ 1% are in transportation & public utilities
- ◆ 1% are in finance, insurance & real estate
- ◆ 2% are non-classifiable

# Major Lessons Learned

## (Dynamics of Microbusinesses)

- ◆ Over time, microbusinesses show high survival rates (78%) after two years and 57% at the end of the 5-year survey period.
- ◆ On average, the microbusinesses were growing and profitable. For entrepreneurs whose businesses were still operating at the time of the Wave 5 interview, average revenues increased by 27% in real terms and profits more than doubled over the survey period.
- ◆ For entrepreneurs whose businesses were still operating at the time of the Wave 5 interview, average business assets increased by \$16,427 (77%) in real terms and business net worth increased by \$17,344 (118%) over the survey period.
- ◆ Employment generation: In the case of entrepreneurs whose business were still operating at the time of the Wave 5 interview, average number of jobs per business grew from 2.3 in Wave 1 to 2.7 in Wave 5 .

**Summary of Findings from the SELP  
Longitudinal Survey of Microentrepreneurs  
(Direction of Change Over Time of Various Economic Indicators)**

Economic Indicator	Low-Income Microentrepreneurs	Non-Poor Microentrepreneurs	All Microentrepreneurs
<b>I. All Respondents</b>			
Household Income	↑	↓	↓
Personal Earnings	↑	↓	↓
Household Assets	↑	↑	↑
Household Net Worth	↑	↓	↓
Business Assets	↑	↑	↑
Business Net Worth	↑	↑	↑
<b>II. Respondents Whose Businesses Were Still Operating by Wave 5</b>			
Household Income	↑	↓	↓
Personal Earnings	↑	↓	↓
Household Assets	↑	↑	↑
Household Net Worth	↑	↑	↑
Business Assets	↑	↑	↑
Business Net Worth	↑	↑	↑
<b>III. Microbusinesses That Were Still Operating by Wave 5</b>			
Industry of Operation	<b>Services &amp; Retail</b>		
Survival Rate	<b>57% Wave 5</b>		
Profitability and Revenues	↑		
Employment Generation	↑		
Business Assets	↑		
Business Net Worth	↑		